

July 14, 2000

Mayor Jim Naugle
Vice Mayor Tim Smith
Commissioner Gloria F. Katz
Commissioner Carlton B. Moore
Commissioner Cindi Hutchinson

Honorable Mayor and Commissioners:

In accordance with Article IX, Section 9.2 of the City Charter, I hereby submit the proposed budget for Fiscal Year 2000/2001. The total all funds budget is \$334.5 million or 1% more than the FY 1999/2000 adopted budget. The General Fund proposed budget is \$178 million or 4.2% more than the current year's appropriations. The proposed operating millage rate is 5.0415 compared to the current rate of 4.9574. The total proposed property tax rate per \$1,000 of taxable value is 5.5664, which represents no change from current combined (operating and debt service) rate. I believe this proposed budget will address your highest priorities, provide for the necessary resources to meet the service delivery needs identified by your professional staff, and provide the public services expected by our residential and business communities.

Reviewing the Past Year

The past is prologue. Your staff accepted the challenges of the FY 1999/2000 budget and moved forward on several fronts. The first full fiscal year after our realignment of the City's organization has reaped the rewards I had anticipated. We moved toward completion of park bond projects. We have initiated the community area planning process in the first study area. We have taken complete responsibility over the provision of emergency medical services. We have seen our crime rate drop once again as community policing becomes engrained in public safety. We are finally on the verge of determining the future of the Wingate site after years of weaving our way through the procedures and requirements of the United States Environmental Protection Agency. We have reduced the turnaround time for review of development plans while facilitating Commission discussion about how future development should be guided.

The Focus for FY 2000/2001

Last year at this time, I asserted that we needed to do what was required, responsible, and right. As we enter the first full fiscal year of this millennium and my third as your City Manager, we must continue to operate in this manner as we focus on some key elements of service delivery in the 21st Century.

Establish A Solid Foundation

- I stressed in last year's budget message that it is imperative to look farther ahead than the most immediate fiscal year in making budget decisions. In developing the recommendations in this proposed budget, I asked staff to outline what they felt, in their professional judgment, we should be doing two years down the road. This was a start to be more foresighted and strategic in our financial planning. Unfortunately, we have tended to be too incremental with some past decisions. This is especially true in Parks and Recreation. We have graciously accepted so-called "freebies" of landscaping and lighting from the Florida Department of Transportation. However, we have not fully funded the maintenance, watering, and repair costs when the improvements became our responsibility. We have judiciously added staffing and support costs for City-paid capital improvements annually. However, we have not fully restored the basic foundation of existing parks and recreational facilities that was eroded in the early 1990's when our economy was sluggish. This proposed budget calls for a \$1.1 million increase from the current fiscal year to establish a solid foundation for the operation and maintenance costs for existing park facilities that have traditionally been under-budgeted.
- Additionally, we have balanced this proposed budget with the thought that we need to increase our budgeted working capital reserve. We have reserved only \$1.5 million in each of the last five budgets despite the increase in the overall appropriations. We propose to double this reserve amount by transferring \$1.5 million from the Parking Fund retained earnings, which was generated a few years ago when excise tax bonds were issued for parking purposes and a bond cash reserve was established. Later an insurance policy was purchased in place of the cash reserve. That cash reserve is therefore no longer necessary and can be used for any lawful municipal purpose. The money is proposed to be transferred to the General Fund in FY 2000 as an increase to the working capital reserve. This will bring that amount to \$3 million, to be carried forward to FY 2001, and remaining there at the end of that year.
- The adopted Capital Improvement Program (CIP) calls for a transfer from the General Fund in FY 2001 of \$4.1 million. This proposed budget will ensure the availability of that amount of resources next year but reduces the net impact to the General Fund to \$2.6 million. In FY 2000 the working capital reserve in the CIP of \$1.5 million will be transferred to the General Fund to replenish an expected draw down of the working capital reserve.

Technology

Every City department and virtually every functional area has identified technological needs for next fiscal year and beyond. In keeping with the Commission's desire, the City would continue to stay ahead of the curve with this proposed budget. Whether you call it e-commerce, e-government, or some other acronym, technological advancement is not a luxury but a necessity in the global, digital world. In the coming fiscal year, we envision and provide for the following improvements:

- Web-based software to take advantage of the internet for service delivery and communication. We have included \$100,000 in this proposed budget specifically for “e-government” applications.
- Electronic imaging of more City records so the information is more efficiently stored and readily retrieved as required. We have included the resources sufficient to borrow internally and acquire and implement an imaging system for personnel records.
- Electronic staff approval of requisitions for hiring new employees or procuring goods and services. Implementation of already authorized software will provide the opportunity for these improvements.
- Electronic service delivery of construction services including plans review and requests for inspections. Again, implementation of already authorized software will provide the opportunity for these improvements.
- Electronic tracking of City vehicles to improve deployment of resources to where they are needed to maximize effective service delivery.
- On-line requests and payments for City services.

People-Focus

Provision of customer friendly service does take more than electronic access and equipment. Most City services continue to be labor intensive. No one wants to be caught in the mire of ten different options on a telephone answering service or internet webpage. Human beings continue to be necessary to listen to citizen concerns and determine the appropriate course of action as well as deliver the ultimate services. We have yet to discover a way to maintain parks or pick up trash without people. The proposed budget asks for consideration to add employees in areas where more labor is the responsible path to take. We have also eliminated a few vacant positions, which we do not feel will have an impact on service delivery.

Budget Highlights

In balancing this proposed budget, your staff looked to your budget priorities as the guide. The following priorities are addressed in this budget:

Public Safety

- \$3,100,000 – in salary, equipment, and operating expenses for the Community Policing Initiative. This amount includes deployed existing resources plus the cost of assuming expiring grants for the program.
- \$600,000 – for assuming the costs of grants obtained in prior years to continue eleven police positions. We hope to obtain an extension of the civilianization grant, which expires in

March 2001, and will ask the Downtown Development Authority to increase from half to full funding of four officer positions assigned to downtown patrol as that grant expires.

- \$500,000 – for reaccreditation of the Police Department.
- \$500,000 – to increase by twenty percent the appropriated amount for Police and Fire-Rescue overtime. While these amounts do not equate to 100 percent of actual overtime costs, we are closing the gap and seeking ways to minimize the demands for overexpenditure.
- \$400,000 – for maintenance costs for the computer-aided dispatch and records management system plus software and hardware to expand its capabilities.
- \$100,000 – to add three communication specialist trainee positions to better cover the “24-7” fire-rescue dispatch operation and minimize the need for overtime.
- \$85,000 – in increased appropriation for recruiting, especially for public safety openings, to fill the large number of vacant positions and, in turn, reduce the impact of vacancies on overtime.

Parks and Recreation

- \$500,000 – to operate and maintain new parks bond improvements anticipated to be completed next year including neighborhood parks, street trees, the new Beach Community Center, Bass Park upgrades, Warfield Park upgrades, Lauderdale Manors upgrades, air-conditioned gymnasiums, Mills Pond improvements, and hockey programming.
- \$440,000 – for programming costs, which have increased over time, for teen activities (dances, special events, and the After School Intramural and Arts Program) and Snyder Park part-time salaries.
- \$40,000 – for maintenance of new medians at State Road 7 from Riverland Road to Davie Boulevard, Cypress Creek at I-95 from North Andrews Extension to Northeast 7th Avenue, and North Federal Highway from Commercial Boulevard to McNab Road.

We will continue to utilize school facilities for recreational opportunities by having Park Rangers open and close access to Riverland Elementary, Croissant Park Elementary, Sunrise Middle, and Cardinal Gibbons High School. Despite the significant increases in funding in Parks and Recreation, we have been unable to identify sufficient resources to fund lifeguards at North Beach or operate all City pools year round.

Code Enforcement

- A full year’s impact of the two additional code enforcement officers added by the Commission recently in the current year for the Northwest Progresso Flagler Heights community redevelopment area.

- \$78,000 – for demolitions and board-ups for properties that are not Community Development Block Grant eligible and revenue for which reimbursement is anticipated to be significantly delayed.

Employee Compensation

As you are aware, we have not yet completed negotiations with our labor unions. All three contracts expire on September 30. We have provided for funding based upon your most current direction within the proposed contingency allocation. The recommended amount would also provide a commensurate level for non-bargaining unit employees. Competitive compensation is necessary to attract and retain the people necessary to deliver City services, especially in this tight labor market.

Resources

As I mentioned earlier, we have had a tendency to make incremental budget decisions in some cases in the past as opposed to ones that are based on a longer-term focus. We have prided ourselves on lowering tax rates and holding utility rates steady; however, there are times when reasonable increases are prudent and this year requires such increases. In order to provide for the improvements described in this budget as well as increase the working capital reserve, additional resources are necessary.

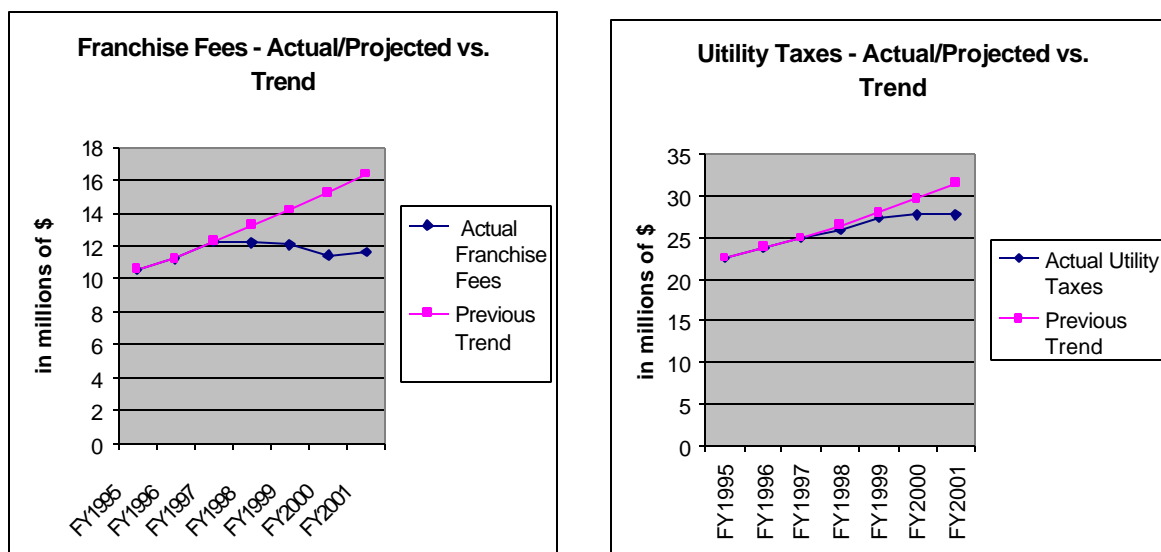
The seeds of our current need for additional resources have been sown in three fields: reliance on a growing fund balance, the statutory limitations of municipal finance in Florida, and increasing net costs for unique City facilities and programs.

Reliance on a Growing Fund Balance

The City's General Fund balance grew steadily from a low point in the mid-1990's when the economy and our real estate market was slow. In the FY 1993/94 budget, the budgeted beginning balance was \$2.7 million and budgeted contingencies were \$2.7 million including some amounts for labor agreements. As the economy improved, we saw not only an increasing fund balance included in the budget (FY 1999/2000 was \$6,450,000) but often the balance grew after the year-end closing of the books and final tally was made of actual revenues and expenditures for the previous year. From 1996 to 1998, the year-end process yielded an additional beginning balance averaging almost \$2 million more than the budgeted beginning balance. For FY 1999/00, the fund balance was only \$880,000 more than the adopted budget balance. Those additional amounts in past years had helped to fund the budget two years hence. For FY 2000/2001, we have approximately \$1.1 million less from this source than the previous two fiscal years. The fund balance dropped for two main reasons: 1) the drop in franchise and utility taxes (primarily Florida Power and Light) and 2) improved accuracy and less conservatism in our revenue projections. FPL has lowered its rates per kilowatt-hour by 13% over the last nine years. Up until last year, the increase in consumption kept our revenues strong. However, beginning last summer, we began to see a drop off in City revenue from FPL. By the time the audit was completed, we saw a significant drop from the anticipated amounts in our

budget projections both for last year and the current fiscal year. We project a drop of almost \$2.7 million in revenue between this year and next. Some slowing of FPL revenues occurred earlier and to a lesser extent than the recent downturn, but utility taxes from the burgeoning telecommunications industry had offset those losses and provided strong growth in these revenue sources.

The following graph shows the recent history of franchise and utility tax revenues and this change in the trend of a traditional steady revenue source based upon growth percentages in FY 1996 and FY 1997.



Statutory Limitations of Municipal Finance in Florida

A second reason for proposing an increase in resources is the inherent limitations for financing municipal services under Florida Statutes. Articles in the national press about government surpluses tout the increase in income, sales, and property taxes as the source of those surpluses. Florida has no income tax. Sales tax is collected by the State and distributed back to local government on the basis of residential population. Fort Lauderdale's population as estimated by the State has not grown appreciably over the last decade while other communities have grown substantially. From 1994 to 1998, the State of Florida increased its sales tax receipts distributed to cities by 29 percent because of the booming economy. Fort Lauderdale's share increased by only half that amount. The municipal revenue sharing pot that includes sales tax as one component increased over that same time period by 8 percent while Fort Lauderdale's share only increased 2 percent. The City has not enjoyed the benefits of the State's economic growth that led the State to provide tax rebates. Florida Statutes leave only charges for services and property taxes as viable sources of revenue for local government that can realistically be adjusted to meet growing demand for services.

Net Cost for Unique Facilities

A third reason justifying a resource increase is that the net cost of providing certain City services has grown dramatically over the last five years. For example, the push to provide additional recreational opportunities for our young residents has resulted in a \$1 million increase in the net cost of recreation over the last five years. The net cost to the City of operating the International Swimming Hall of Fame is \$800,000 annually. The net cost for the stadium is \$250,000 per year. The City's jail costs have escalated as it has become increasingly more difficult to recruit detention personnel, police officers fill in at time-and-a-half, and Broward County terminates its use of jail space for its Alternative Treatment Against Crack Cocaine (ATACC) program. We must choose among three options: 1) that these programs and facilities benefit the City and are worthy of support by the general taxpayers; 2) find alternative resources; or 3) get out of the businesses. In general, it is important for us to determine what City services are mandatory based upon the City Charter and State Statute; what programs are essential to protect City assets, property, and life; and what City expenditures contribute to the quality of life of our residents. We cannot afford to be all things to all people.

As these three trends have developed over the last few years, the City has lowered its property tax rate. The consequences of those lower rates have been a minimized tax burden for our residential property owners and an increase in the City's taxing capacity should additional resources become necessary. Unfortunately, by reducing the tax rate, the City lost the opportunity to offset eroding fund balances and provide for a minimal working capital reserve. During the time period that the City was reducing its property tax rate, other taxing entities were continuing at the same rate or increasing theirs. From 1995 to 1999, the City's operating tax rate was reduced by 8 percent. Of the largest cities in Florida, only Hialeah reduced their rate by a larger percentage (9%) and the average was a reduction of 1.2 percent. Broward County increased its rate by 7 percent.

For property tax revenues to increase other than for new construction, which in the banner year of 1999 we have had amounts to just over \$1 million, a reasonable tax increase is proposed. The recommended 5.0415 rate would leave Fort Lauderdale in the middle of the pack among Broward cities – not the highest, not the lowest. Even at such a rate, the millage rate would be lower than every year since 1992 except for the one adopted in September 1999. With the growth in the City's tax roll, the combined (operating and debt service) property tax rate recommended is less than last year's rate and the lowest combined rate since 1993. Such an action is the only way to take full advantage of the City's tremendous growth in taxable values. It is also that growth that will minimize the tax burden for our most needy residents with homestead rights who will see no more than a 2.7 % increase in assessed value from last year.

We have built this budget assuming the five percent increase in the fire-rescue special assessment as contemplated when the initial assessment was imposed last year. The fee will be levied in accordance with the most recent court ruling.

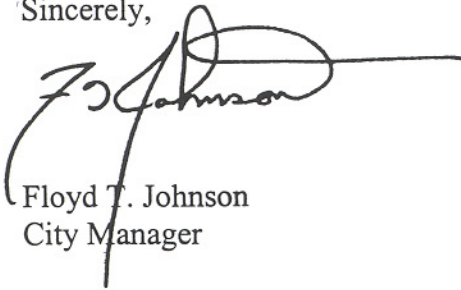
We also find it necessary to recommend minor increases in water and sewer (3%) and sanitation (2%) simply to cover cost-of-living increases. Such rate adjustments, as those in past years, will

keep these enterprises self-supporting and provide for your priorities with respect to service delivery and capital improvements. The impact of these changes will be minimal to our customers.

Conclusion

This budget reflects the professional judgment of your staff. We have not been able to fund all your priorities but we believe we have provided for the most critical. You have informally approved public hearings on September 11 and September 19. I look forward to your discussion of these budget proposals and the implementation of plans and programs to meet the needs of our community.

Sincerely,

A handwritten signature in black ink, appearing to read "F. Johnson", with a long horizontal line extending to the right.

Floyd T. Johnson
City Manager